CWL1

Starting your own business?

Here are the forms and information you need!

HM Customs & Excise

Inland Revenue

'Working together for you'

This booklet is effective from April 1999. It contains the following forms.

- CWF1 (coloured green) which you must fill in to tell us about your self-employment, and
- CA5601 (coloured peach) which you should also fill in if you wish to pay your Class 2 National Insurance contributions by Direct Debit. **Both forms must be completed if you wish to pay by Direct Debit**.

This booklet is also available in Welsh. Copies can be obtained from any Inland Revenue Office, Customs and Excise or VAT Business Advice Centre in Wales.

It is also available on the Internet. Our addresses are

Inland Revenue: www.inlandrevenue.gov.uk

HM Customs & Excise: www.hmce.gov.uk

Here's three *lots of help in one!*

This leaflet is for anyone setting up in business in a self-employed capacity.

It deals with

- income tax
- National Insurance contributions
- Value Added Tax (VAT), Excise and Inland Customs.

It is issued by the Inland Revenue and HM Customs and Excise who are working together to provide a better service to businesses.

It tells you

- what you need to tell us
- what you need to do to get things right from the start
- how you can get more free help and information.

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Form CWF1- Joint Notification of self-employment -
Form CA5601- Application to pay Class 2 National Insurance contributions by Direct Debit -

Basics

HOW DO I KNOW WHETHER I AM SELF-EMPLOYED?

By 'self-employed' we mean people who work for themselves on their own, or in partnership with one or more people.

For example, an individual running his or her own shop is likely to be self-employed, but a worker engaged to assist in the shop is likely to be an employee.

If you are unsure about whether you are self-employed or not, leaflet IR56/NI39 *'Employed or self-employed? A guide for tax and National Insurance'* will help (see page 28).

WHO DO I NEED TO TELL I'VE STARTED A BUSINESS?

As soon as you start a business in a self-employed capacity you must tell

- the Inland Revenue (NI Contributions) Office
- your local Tax Office
- Customs and Excise: if your taxable turnover (total sales) is more than £50,000 in a 12 month period, you must register for VAT
- your Job Centre if you are registered with one. (In Northern Ireland it would be the Training and Employment Agency.)

HOW DO I LETYOU KNOW I AM NOW SELF-EMPLOYED?

We have designed a special form to enable you to tell the Inland Revenue (NI Contributions) Office, your Tax Office, and Customs and Excise that you have become self-employed. The form, CWF1 *'Notification of self-employment'*, can be found at the back of this leaflet. It tells all three of us in one go, and registers you for Class 2 (self-employed) National Insurance contributions and tax. **Just fill it in and send it to the Inland Revenue (NI Contributions) Office.**

Make sure that you know your National Insurance number as you will need it to complete the form. Your National Insurance number is personal to you. It is your account number for all dealings with the Department of Social Security and the Inland Revenue on National Insurance issues. It is **not** proof of identity. It looks something like this: AB 12 34 56 C.

If you do not know, or have lost, your National Insurance number, there are several ways to find it. For example: P60 - end of year statement of tax and National Insurance, wages slips and official correspondence. If you are still unable to locate your number you should contact your nearest Social Security office.

If you change your forename(s), surname or title, let your nearest Social Security office or Inland Revenue (NI Contributions) Office know as soon as possible.

Send the completed form CWF1 to the Inland Revenue (NI Contributions) Office. If you have left a previous job or have signed off from your local Job Centre, you should enclose parts 2 and 3 of the form P45 given to you by your last employer or the Job Centre. (In Northern Ireland it will be given to you by your Social Security office.) There is no need to send in form CWF1 until you are about to start self-employment. However, if you do not intend to start straight away, you should send parts 2 and 3 of your P45, in advance, to your local Tax Office. In all cases, keep part 1A of your P45 for your own records.

Your local VAT Business Advice Centre, VAT Registration Unit or Enquiry Unit will advise you whether you need to register for VAT. They are listed under 'Customs and Excise' in the phone book.

The Inland Revenue (NI Contributions) Office will automatically pass the information about your self-employment to your local Tax Office and Customs and Excise.

Income Tax

WHAT IS INCOME TAX?

The main tax most people have to pay is income tax, which is charged on earnings of all kinds as well as on investment income like bank interest. If you are an employee, your employer deducts your tax weekly or monthly from your pay, but when you are self-employed with a trade or profession you are responsible for paying your own tax. That's why you need to keep full and accurate records of all your trading or professional transactions.

If you are thinking of employing someone for the first time there is further information on page 27.

WHATACCOUNTING DATE SHOULD I USE?

You may not wish to draw up formal accounts. The Tax Office will require a return of your business income and expenses in standard format, and you may decide that you will not need formal accounts as well. If you do decide to make up accounts, the date to which you make them up is for you to decide, but if you have an accountant, ask for advice. For example, you can make up your accounts from the date your business started

- to the end of your first year's trading
- to the end of a particular month
- for the calendar year ending on 31 December, or
- to the end of the tax year on 5 April.

You should bear in mind that formal accounts may be required for reasons unconnected with tax. For example, your bank may want to see formal accounts when considering an application for a business loan.

If your business is a seasonal one, it may suit you to choose a date when trade is slack and stocks are low. Whatever date you choose, it is best to stick to it and to make up accounts every 12 months.

HOW ARE MYPROFITS TAXED?

Tax calculations are made for tax years which run from 6 April. For example, the tax year 1999/2000 runs from 6 April 1999 to 5 April 2000.

Broadly speaking, your tax calculation for any year will be based on your trading or professional profits for the accounting year which ends in that same tax year.

This means that if you work out your profits to, say, 30 September each year, your 2000/2001 calculation will be based on your profits for the accounting year which ends on 30 September 2000.

Special rules apply when you start in business and when your business ends.

For your first year, you are taxed on the profits for the period from the date you started to the following 5 April.

For the second year, you are taxed on the profits of the 12 months to your accounting date in that year, providing that date falls 12 months or more after the date on which you started in business. If your accounting date in the second year falls less than 12 months after the date on which you started in business, you will be taxed instead on the profits of the first 12 months of your business.

For the third year, you are taxed on the profits for your accounting year ending in that year.

If these rules result in some of your profit being used more than once, you are entitled to an adjustment known as 'overlap relief' usually when your business ends. This adjustment ensures that over the lifetime of your business you are taxed on the profits made by the business, no more and no less.

WHEN DO I HAVE TO PAY?

Each year, in April, you will receive a tax return. This will ask you for all the information required to calculate your income tax and capital gains tax bill for the year. If you want to, you can calculate this bill yourself - there will be notes explaining how to do this with the return - or you can ask us to calculate it for you. It is entirely up to you. If you want us to calculate your bill for you, you must send back your completed tax return by 30 September. If you want to calculate the bill yourself you have four months longer, until 31 January, to send back your return.

The tax return will also explain how you calculate any Class 4 National Insurance contributions that are due (see page 15). These contributions should be paid at the same time as your tax.

You should set aside money regularly, so that you will be able to pay your tax and Class 4 National Insurance contributions when they become due. After your first year in self-employment you will be required to make two payments on account towards your tax bill each year, one on 31 January, one on 31 July. A final payment of the balance of any tax due will be required on the following 31 January. (together with the first payment on account for the following tax year).

If you make a loss you may be able to set it against any other taxable income you have, or the loss may be carried forward to offset your profits in later years.

HOW DO I PREPARE MY ACCOUNTS?

Your accountant, if you have one, will draw up your trading or professional accounts. Whoever prepares them, you are still responsible for their accuracy and correctly declaring the amount of the profits.

Under Self Assessment, you do not have to send in your accounts with your tax return. Instead you will be asked to include the accounts information in a special section in the return. Your Tax Office may ask to see your formal accounts (if you have had them prepared) with your business records, to check the figures in your return.

Formal accounts are usually in two parts

- the trading and profit and loss account, which is a summary of the year's trading transactions
- the balance sheet, which shows the assets and the liabilities of the business.

SIMPLE TAX ACCOUNTS

If your business turnover (total sales or fees) before expenses is below £15,000 for a full year, you will not have to provide detailed accounts information in the return. Instead, a simple three line summary will do. For example

Turnover	£13,847
Less purchases and expenses	£3,017
Net profits	£10,830

PARTNERSHIPS

There are special rules that apply for income tax purposes if you are in business with a partner. Basically your tax bill is calculated as if **your share** of the partnership is profits that you have made in business on your own. Ask your Tax Office for more details.

CONSTRUCTION INDUSTRY SCHEME

If your business operates within the construction industry, you will need to know about the Construction Industry Scheme. Ask your Tax Office for more details.

WHAT DOES 'SELF ASSESSMENT'MEAN?

We have made the tax system clearer for people who get tax returns. The new system is called 'Self Assessment'. It is a more straightforward, efficient and clear way of working out tax. It is **not** a new tax.

Self Assessment applied from 6 April 1996, the start of the tax year 1996/97, the first new style Self Assessment tax returns were issued in April 1997.

Our leaflet SA/BK8 '*Self Assessment. Your guide*' explains how things work under Self Assessment (see page 28).

National Insurance

WHATARE NATIONAL INSURANCE CONTRIBUTIONS?

Most people who work are liable to pay National Insurance contributions unless they come into any of the groups excepted from liability to pay.

There are six classes of contributions in all, and the class you pay depends on whether you are an employee, self-employed, non-employed or an employer. Depending on your status, **you may have to pay more than one class of contribution at the same time.** Some contributions count towards benefits such as Incapacity Benefit and Retirement Pension.

Self-employed people are liable to pay two classes of contributions

- Class 2 National Insurance contributions, **and**
- Class 4 National Insurance contributions, which are paid on profits and gains at, or above, a set level.

If you are thinking of employing someone for the first time there is further information on page 27.

CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS

Class 2 National Insurance contributions are a flat rate payment collected by the Inland Revenue (NI Contributions) Office. The weekly Class 2 National Insurance contribution rate for 1999/2000 is £6.55.

Class 2 National Insurance contributions **do not** count for contribution-based Jobseeker's Allowance but they do count for Incapacity Benefit, Retirement Pension, Widow's Benefit and Maternity Allowance.

Unless you have applied for and been granted a small earnings exception certificate, or are a married woman or widow with reduced liability, you must pay Class 2 National Insurance contributions in respect of each week, including holiday periods, if you are

- normally self-employed **and**
- age 16 or over **and**
- under pension age (60 for a woman, 65 for a man).

It is your personal responsibility to ensure that your Class 2 National Insurance contributions are up to date. Class 2 National Insurance contributions are a personal liability and not a business liability. If you do not pay them on time then you may have to pay them at a higher rate. Late payment may also affect any benefit claim that you make. The Inland Revenue (NI Contributions) Office will take whatever action it considers necessary to obtain payment.

PAYING YOUR CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS BY DIRECT DEBIT

Direct Debit has many advantages. It is easy to set up, runs automatically, and can help your budgeting. The majority of self-employed customers (over 1.5 million) already use this method. (Payment from your personal bank account rather than a business account will not incur bank charges provided you have sufficient funds to meet the payment.) **We regret that the facility to pay by Direct Debit is not available to share fishermen.**

Class 2 National Insurance contributions paid by Direct Debit are collected by monthly payments in arrears. You will not be asked to pay contributions in advance, although liability for Class 2 National Insurance contributions will arise weekly.

How do I pay by Direct Debit?

If you have not previously told us of your self-employment you **must** fill in form CWF1 *'Notification of self-employment'* **in addition** to the Direct Debit form CA5601 at the back of this leaflet.

You **must** return **both** forms to the Inland Revenue (N I Contributions) Office.

How will payments be made?

The application form asks you if you wish to pay by Direct Debit from the start of your self-employment. In most cases this means that all contributions due from the start of your self-employment will be collected with the first payment from your Bank or Building Society.

If you do not wish to pay by Direct Debit from the start of your self-employment **or we cannot arrange this, your Direct Debit will be started from a current date. We will then send you a separate bill forany contributions due from the start of your self-employment to the date your Direct Debit begins.**

We will act at once to set up your Direct Debit, but it may take some weeks before the first National Insurance contributions are collected from your account. We will write to tell you when the first payment will be made. Please ensure that you have enough funds in your account to meet your first payment.

After that, payments

- will be made automatically for as long as you wish, **and**
- will normally be deducted from your account on the second Friday of each month.

These payments will cover National Insurance contributions for either four or five weeks, depending on the number of Sundays in the preceding tax month. The tax month ends on the 5th of each month.

A regular check of your Bank/Building Society statements will reassure you that payments have been made correctly.

What happens if I am ill?

You do not have to pay National Insurance contributions for any complete week (Sunday to Saturday) of illness. If you want to be credited with National Insurance contributions for these weeks you must provide evidence of your illness to your local Social Security Office. In Northern Ireland send in sick notes to Incapacity Benefits Branch, Castle Court, Royal Avenue, Belfast BT1 1SB. We will reduce your Direct Debit payments to take into account full weeks of sickness as quickly as possible. You must still pay National Insurance contributions for any part weeks of illness. If you do claim Incapacity Benefit credits your local Benefits Agency (in Northern Ireland, Incapacity Benefits Branch) will advise us when your period of incapacity ends. If your Direct Debit payments do not restart, please let us know immediately.

What do I do if I change my Bank or Building Society?

You should tell us if you change your Bank or Building Society. You will have to fill in another Direct Debit application form as Direct Debits cannot be transferred between Banks or Building Societies. However, this may not be necessary if you are only changing branches of the same Bank or Building Society.

THE DIRECT DEBIT GUARANTEE

- This guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the Scheme is monitored and protected by your own Bank or Building Society.
- If the amounts to be paid or the payment dates change, the Inland Revenue (NI Contributions) Office will notify you 10 working days in advance of your account being debited or as otherwise agreed.
- If an error is made by the Inland Revenue (NI Contributions) Office or your Bank or Building Society, you are guaranteed a full and immediate refund from your branch of the amount paid.
- You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to the Inland Revenue (NI Contributions) Office (see page 17).

WHAT IF I AM UNABLE TO PAY MY CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS BY DIRECT DEBIT?

If you are unable to pay by Direct Debit you will be sent a bill every thirteen weeks (Quarterly Bill). Information about Quarterly Bills will be sent to you when we receive your completed self-employment notification form CWF1 (the green form at the back of the booklet). You can also obtain more information about Direct Debit or Quarterly Bills by ringing the Self Employment Directorate Call Centre on

06451 54655 or by writing to the Inland Revenue (NI Contributions) Office, Self Employment Directorate, Customer Accounts Section, Longbenton, Newcastle upon Tyne NE98 1ZZ.

SMALL EARNINGS EXCEPTION

You can apply for exception from paying Class 2 National Insurance contributions if your net earnings from self-employment (that is, your profits after deducting expenses) will be less than a fixed amount. Known as the 'exception limit' it is set in advance of each tax year. For 1999/2000 it is £3,770.

Our leaflet CA02 *'National Insurance contributions for self-employed people with small earnings'* gives more information and also contains an application form CF10 (see page 29).

WORKING ABROAD

If you will be going abroad to work you should contact the Inland Revenue (NI Contributions)Office International Services for advice about liability to pay Class 2 National Insurance contributions while working abroad. Their telephone number is **06451 54811.**

You will need to give details about the country you will be working in, when you propose to go and for how long.

CLASS 4 NATIONAL INSURANCE CONTRIBUTIONS

If your profits are over a certain amount, you may have to pay Class 4 National Insurance contributions **as well as** Class 2 National Insurance contributions.

Class 4 National Insurance contributions are based on a percentage of annual profits between a lower and upper profit level. The levels are set each year by the Chancellor in the Budget. For the 1999/2000 tax year the percentage rate and profit levels are

- percentage rate 6.0%
- lower profit level £7,530

- upper profit level £26,000

Class 4 National Insurance contributions are normally self assessed in the same way as tax, and collected by the Inland Revenue together with Schedule D tax. As with tax, if payment is overdue, you may have to pay interest.

Class 4 National Insurance contributions do not entitle you to any benefit, but they do help to share the cost of funding the benefits paid to all self-employed people in the fairest way.

DEFERRING PAYMENTS

If you are both employed and self-employed and expect to pay, or have paid, more than a fixed amount of National Insurance contributions for any tax year, you may be able either to

- defer payment of your Class 2 and Class 4 National Insurance contributions until your true liability has been worked out at the end of the relevant tax year, **or**
- get a refund of any overpaid contributions.

The minimum amount you need to pay before being granted deferment is linked to the contribution rates in force for any given year. For the 1999/2000 tax year

- your Class 4 National Insurance contributions will be deferred if you can show that you are likely to pay more than a total of £1,455.35 in Class 1 and Class 2 National Insurance contributions, **and**
- your Class 2 National Insurance contributions will also be deferred if you show that you are likely to pay more than a total of £2,300.20 in Class 1 National Insurance contributions.

Initial applications for deferment of payment of Class 2 and Class 4 National Insurance contributions are made on form CA72B. This, together with more information about deferment and refunds, is contained in leaflet CA72 *'National Insurance contributions. Deferring payment'*.

SHARE FISHERMEN

Special rules and Class 2 National Insurance contribution rates apply to share fishermen. Our leaflet CA11 *'National Insurance for share fisherman'* gives more information.

If you are starting work as a share fisherman you should still complete form CWF1 and send it to the Inland Revenue (NI Contributions) Office. They will then write to you with more information. **We regret that the facility to pay by Direct Debit is not available to share fishermen.**

CHANGE OF CIRCUMSTANCES

You **must** inform the Inland Revenue (NI Contributions) Office if you change address or if you stop being self-employed so we can amend your National Insurance account.

Other changes that should be reported are

- change of name
- change of marital status - women only
- change of home or trading address
- change of bank (if paying by Direct Debit)
- change of trading name
- change of telephone number.

To report any of these changes contact the Inland Revenue (NI Contributions) Office, Self Employment Directorate, Customer Accounts Section, Longbenton, Newcastle upon Tyne NE98 1ZZ.

Their telephone number is: **06451 54655**. Calls made to this number are charged at local rates. Please note your calls may be monitored or recorded in order to improve the quality of our service.

VAT

WHAT IS VAT?

VAT stands for 'Value Added Tax'. It is a tax charged on most goods and services by the suppliers of those goods and services.

Almost any business transaction can constitute what is known as a 'taxable supply' for VAT purposes, for example

- sale of goods
- performance of services
- an exchange of goods or services
- a gift in kind.

Not all supplies are liable to VAT. For example, no tax applies to certain services such as finance, education etc. These are known as 'exempt supplies'.

Taxable supplies can be chargeable to VAT at the following rates.

Zero rate

Nil percentage rate applies. Certain goods such as food, children's clothing etc. come under this heading.

Reduced rate

This is 5% and is limited to domestic fuel and power.

Standard rate

The current rate is 17.5% and is applied to all goods and services that are not exempt or liable at the zero or reduced rates.

'Exempt' and 'zero' are not the same. Exempt supplies are supplies of goods or services which have no VAT charged on them at either the standard, reduced or zero rate. There are further details in VAT Notice 700 '*The VAT Guide*'.

HOW DOES VAT WORK?

Briefly, VAT is based on what are known as 'output tax'and 'input tax'. If you are a business registered for VAT, output tax is the VAT charged by you to your customers and input tax is the VAT charged to you by your suppliers.

WHO COLLECTS VAT?

VAT is collected at every stage in the distribution of goods and services by 'taxable persons' registered with Customs and Excise. The term 'taxable person'includes self-employed individuals, partnerships, limited companies, clubs, etc.

DO I HAVE TO REGISTER WITH CUSTOMS AND EXCISE?

If you are in business and your taxable supplies to customers exceed or are likely to exceed, a set limit in a 12 month period, then you will have to register with Customs and Excise (see page 6). The limit is currently £50,000, but this is reviewed annually.

You may have to register if you make acquisitions from other European Community countries or supply goods under the distance selling arrangements to the UK.

You cannot register, however, if you only supply goods or services exempt from VAT.

You must register if

- at the end of any month, the total value of the taxable supplies you have made **in the past 12 months or less** is more than £50,000, or
- at any time you expect that the value of your taxable supplies will be more than £50,000 **in the next 30 days.**

WHAT HAPPENS IFI HAVE TAKEN OVER ABUSINESS FROM SOMEONE ELSE?

You must look carefully at the taxable turnover of the business under the last owner to decide whether you need to register. It does not matter whether the last owner was registered or not. If the business is trading at a level above the limit then you will need to register. Your date of registration will be the day on which you take over the business.

If you have to register, please do not delay your application, as there may be a financial penalty for late registration. You will find out more about this in VAT Notice 700/41 *'Late registration penalty'*.

CAN I BE REGISTERED IF MY TURNOVER IS BELOW THE LIMITS?

If your taxable turnover is below the limits you can apply for voluntary registration. You will have to prove to us that what you do is a business for VAT purposes. Before you apply you should think carefully whether registering will benefit you. Once you are registered you will have to account for output tax on all your taxable supplies, but you can also take credit for any input tax on those taxable supplies. You will also have to send in VAT returns regularly and keep proper accounts so that VAT officers can inspect them.

CAN I BE REGISTERED BEFORE I MAKE TAXABLE SUPPLIES?

If you are not yet making taxable supplies, but have started a business, you can register before you start as long as you are going to make supplies in the future. You will also have to prove to us that you are going to make taxable supplies as part of your business.

HOW DO I ACCOUNT FOR VAT?

If your business is like most businesses, you will collect more VAT from your customers than you pay to your suppliers. You can fill in a VAT return every quarter and pay the surplus VAT to Customs and Excise, or you can opt to complete an annual return, provided that the annual value of your taxable supplies is less than £300,000.

If, regularly, you pay out more VAT than you collect, you may fill in a return every month and Customs and Excise will make a refund.

SPECIAL SCHEMES

There are special schemes to help make things easier. For example

- *'The Annual accounting scheme'*. Instead of completing returns and paying quarterly, once you have been registered for a year you can pay a number of monthly payments by Direct Debit and send in just one return. There are details in VAT Notice 732 *'Annual accounting'*.
- *'The Cash accounting scheme'* lets you account for VAT on the basis of payments received and made, rather than tax invoices issued and received. The scheme gives automatic bad debt relief and is useful if you intend to give periods of credit. There are details in VAT Notice 731 '*Cash accounting'*.

CAN I CLAIM VAT BACK?

You can claim back your input tax from Customs and Excise, but there are a number of exceptions. For example, you cannot reclaim input tax

- paid on your purchases if you supply only exempt goods or services
- on some motor cars
- paid on certain business and entertainment expenses.

Excise and Inland Customs

WHAT IS EXCISE?

Excise is a duty payable on goods and services.

Goods liable to Excise duty are

- beer
- wine
- spirits
- mineral oils
- tobacco

Services liable to Excise duty generally fall under the heading of 'Betting and Gaming'. The exceptions to this are air passenger duty, landfill tax and insurance premium tax. The six betting and gaming services which attract Excise duty are

- general betting
- bingo
- casinos
- gaming machines
- pool betting
- lottery

It is possible to claim reliefs from Excise duty. Primarily these ensure that UK commercial interests are not disadvantaged by having to pay duty in the course of a manufacturing process, storage, or on goods produced for export.

WHAT IS INLAND CUSTOMS?

Inland Customs refers to duties levied in respect of imported goods. These duties also have a number of reliefs and special schemes designed to relieve the burdens on business.

DO I HAVE TO REGISTER WITH CUSTOMS AND EXCISE?

If you are carrying out an Excise or Inland Customs activity you must notify Customs and Excise. Depending on the nature of your business, you may be asked to register with Customs and Excise, provide a financial security or complete returns.

Your local Excise and Inland Customs Advice Centre will supply you with public notices and forms about Excise and Inland Customs. You can find them listed in the phone book under ‘Customs and Excise’.

You might find the following notices useful

206 *Excise Traders*

501 *Guide to Exports*

502 *Guide to Imports*

There are also notices about each specific duty and relief. Your Advice Centre will be able to provide you with the appropriate notice.

Keeping Records

WHAT DO I NEED TO DO ABOUT KEEPING RECORDS?

Keeping clear and accurate records is very important. You should

- record all your business transactions
- keep documents like receipts, bills, bank statements and cheque stubs to back them up
- separate your business transactions from your personal finances.

You can get various account books for recording the figures. Some of these books are designed specially for small businesses. It may also be helpful to have an accountant.

HOW LONG SHOULD I KEEP MY RECORDS FOR INCOME TAX PURPOSES?

Under Self Assessment you are obliged by law to keep records of your income and capital gains. These records have to be kept in case your Tax Office needs to check the figures in your return.

If you are self-employed, whether on your own or in partnership, you will have to keep your business records for at least **five years**. This period starts from the date on which your annual tax return is due back (normally the 31 January in the year following the year to which the return relates).

Our leaflets SA/BK3 '*Self Assessment. A guide to keeping records for the self-employed*' and SA/BK4 '*Self Assessment. A general guide to keeping records*' tells you more about this and about what records to keep (see page 28).

WHAT IF I DECIDE TO REGISTER FOR VAT?

If you become registered for VAT you must keep a record of all the supplies you make and receive and a summary of VAT for each tax period covered by your tax returns. The summary is called the 'VAT account'.

Records do not have to be kept in any set way, but they must be up to date and the figures that you use to fill in your VAT return must be easy to find. Usually, your normal business records can quite easily be adapted to give this information. Invoices or daily takings normally form the basis of your records.

Our VAT Notice 700/21 *'Keeping records and accounts*'tells you more about this (see page 30).

If you register for VAT you will normally be expected to keep your records for **six years.**

Other Help

WHAT IF I DECIDE TO EMPLOY SOMEONE?

If you are thinking of employing someone for the first time, you should tell your Tax Office. The Tax Office dealing with your business may be different from the one that will deal with your employees' tax. If you tell your Tax Office, they will send the information on to the right office. The Tax Office will then automatically send you a New Employer's Starter Pack which contains all the instructions, tables and forms you will need.

As an employer, you will be responsible for deducting tax and Class 1 National Insurance contributions from the pay of your employees under the Pay As You Earn system (PAYE). You send the tax and National Insurance contributions you have deducted to the Inland Revenue Accounts Office.

So you will need to

- work out the tax and National Insurance contributions due each pay day
- pay this over to the Inland Revenue Accounts Office each month. This can be done quarterly if your average monthly payments of tax and National Insurance contributions are below £600
- tell your Tax Office at the end of each tax year how much each employee has earned and how much tax and National Insurance contributions you have deducted. You must also give details of benefits paid
- give your employees statements showing their earnings, tax and National Insurance contributions deductions made for the year and any benefits provided.

If you employ someone abroad, advice about Class 1 National Insurance contributions should be obtained from the Inland Revenue (NI Contributions) Office on **06451 54811.**

WHERE CAN I GETYOUR LEAFLETS AND FORMS?

Your local Tax Office, or **Inland Revenue Enquiry Centre** will supply you with leaflets and forms about tax and some National Insurance leaflets. Their addresses are in your local telephone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 4.30pm Monday to Friday. Some are also open outside these hours.

Some leaflets you may find useful are

IR List	Catalogue of leaflets and booklets
IR14/15(CIS)	Construction Industry Scheme
IR40 (CIS)	Construction Industry Scheme. Conditions for getting a sub-contractors tax certificate
IR56/NI39	Employed or self-employed?#
IR120	You and the Inland Revenue *#
IR125	Using your own car for work
IR160	Inland Revenue enquiries under Self Assessment
CWG1	Employer's quick guide to PAYE and NICs#
CWG2	Employer's further guide to PAYE and NICs#
CWL2	National Insurance contributions for self-employed people. Class 2 and Class 4#
	How to contact the Inland revenue

In addition the Inland Revenue have produced the following leaflets on Self Assessment

SA/BK3	Self Assessment. Aguide to keeping records for the self-employed
SA/BK4	Self Assessment. Ageneral guide to keeping records
SA/BK5	Self Assessment. Electronic version of the tax return
SA/BK6	Self Assessment. Penalties for late tax returns
SA/BK7	Self Assessment. Surcharges for late payment of tax
SA/BK8	Self Assessment. Your guide

These leaflets are also available in Welsh

* *Available in Bengali, Chinese, Greek, Gujarati, Hindi, Punjabi, Turkish, Urdu and Vietnamese*

Your nearest Inland Revenue (NI Contributions) Office will supply you with leaflets and forms relating to National Insurance contributions.

Some leaflets you may find useful are

CA01	National Insurance contributions for employees[#]
CA02	National Insurance contributions for self-employed people with small earnings[#]
CA04	National Insurance contributions. Class 2 and Class 3 Direct Debit. The easier way to pay[#]
CA07	National Insurance contributions - unpaid and late paid contributions[#]
CA08	National Insurance contributions.Voluntary contributions[#]
CA09	National Insurance contributions for widows
CA11	National Insurance contributions for share fishermen[#]
CA13	National Insurance contributions for married women
CA25	National Insurance contributions for agencies and agency-supplied workers
CA72	National Insurance contributions. Deferring payment[#]
CWG1	Employer's quick guide to PAYE and NICs[#]
CWG2	Employer's further guide to PAYE and NICs[#]
CWL2	National Insurance contributions for self-employed people. Class 2 and Class 4[#]
FB30	Self-employed? Aguide to National Insurance contributions and Social Security benefits[#]
NI38	Social Security abroad (NIL38 in Northern Ireland)
NI132	National Insurance abroad. Aguide for employers of people working abroad
PP3	Personal pensions for the self-employed[#]

[#] *These leaflets are also available in Welsh*

Your local VAT Business Advice Centre will supply you with public notices and forms about VAT. They are listed under 'Customs and Excise' in the phone book. Most offices are open to the public from 9.30am to 4pm, Monday to Friday.

Some notices you may find useful are

700	The VAT Guide
700/12	Filling in your VAT return
700/15	The Ins and Outs of VAT
700/21	Keeping records and accounts
700/41	Late registration penalty
731	Cash accounting
732	Annual accounting
999	Catalogue of Publications

Full details about registration are in the following VAT Notices

700/1	Should I be registered for VAT? *
700/1A	Should I be registered for VAT? - Distance selling
700/1B	Should I be registered for VAT? - Acquisitions

Excise and Inland Customs

206	*Excise Traders*
501	*Guide to Exports*
502	*Guide to Imports*

* *Available in clear print*

CAN I PHONE FOR THE INFORMATION I WANT?

Yes. For general help and advice on tax, ring or call in at your local Tax Office or Inland Revenue Enquiry Centre. Their addresses are in your local telephone book under 'Inland Revenue'. Most offices are open to the public from 9am to 5pm Monday to Friday. Some are also open outside these hours.

You can order leaflets about Self Assessment from our Orderline on **0645 000404**. Calls are charged at local rates and lines are open between 8am and 10pm seven days a week. Or you can order by fax on **0645 000604** or by e-mail on **saorderline.ir@gtnet.gov.uk**.

For specific National Insurance advice on the following subjects ring

Class 2 National Insurance contributions	**06451 54655*#**
Deferment	**06451 57141***
Working abroad	**06451 54811***

* *Calls made to these numbers are charged at local rates.*

 # Please note your calls may be monitored or recorded in order to improve the quality of our service

For help and advice on VAT ring your VAT Business Advice Centre or Enquiry Office listed in the phone book under 'Customs and Excise'.

EMPLOYER'S HELPLINE

From now on as an employer, if you ever have a general question on tax, National Insurance or basic VAT registration, you can ring:

The Employer's Helpline - 0345 143 143

This service has been set up by the Inland Revenue and Customs and Excise offering general advice on matters such as Employer's PAYE and P11D expenses and benefits, Statutory Maternity and Sick Pay, and Value Added Tax basic registration details.

It saves time and, for the price of a local call, it saves money. Lines are open Monday to Friday 8.30am - 5pm.

NEW EMPLOYERS HELPLINE

Call the New Employers Helpline if you are a new employer and would like general help and advice. You are a 'New employer'if you are in business and are thinking of taking on an employee for the first time or have been employing people within the last three years.

Free leaflets are available as well as presentations on a wide range of tax and National Insurance tpoics

The New Employer's Helpline - 0845 6143143

Lines are open Monday to Friday 8.30am to 5pm and Saturday and Sunday 10am to 4pm.

WHAT OTHER HELPIS THERE?

You can get a video which tells self-employed people about Self Assessment. It is called '*Get yourself sorted*' and is available from your local Inland Revenue Enquiry Centre or Tax Office.

If you register for VAT you will be sent a menu of 'Learn about VAT' options and asked to choose the option which suits you best. The options include

- a free video entitled *'Welcome to VAT'*
- one-to-one consultations
- seminars.

BUSINESS LINK

Business Link is a national network of information and advice centres providing a single point of access for local companies. All key local business support agencies, including the Training and Enterprise Council, the Local Enterprise Agency, the Chamber of Commerce and the Local Authority have been brought together to offer customised services to local businesses. The Signpost line on **0345 567 765** can put you in touch with your nearest Business Link.

USEFULPUBLICATIONS FROM THE DTI

The Department of Trade and Industry (DTI) produces a series of free booklets which give sources of information and advice to small businesses. The titles include *' A Guide to Help for Small Firms'* and *'Setting up in business - a guide to regulatory requirements'*. You can order these from the DTI Small Firms Publications Orderline on **0870 150 2500** or fax **0870 150 2333.**

WHAT CAN I DO IF I AM NOT HAPPY WITH THE SERVICE I RECEIVE?

Naturally we hope this question won't arise, but with many thousands of enquiries every day, misunderstandings and errors can happen.

If you have a complaint about the way in which we have handled your affairs, first write to the officer in charge of the office concerned. He or she will then do everything possible to resolve the problem quickly.

If, after this, you are still unhappy, you should contact

- the **Inland Revenue** Controller responsible for the area dealing with your tax affairs. Our leaflet IR120 '*You and the Inland Revenue*'tells you how to do that

- the **Customs and Excise** Collector responsible for the office concerned. The Customs leaflet *'Complaints and putting things right. Our Code of Practice'* (Notice 1000) tells you how to do that.

If the Department concerned does not settle your complaint to your satisfaction, you can ask the Adjudicator for the Inland Revenue, Contributions Agency and Customs and Excise to look into it and recommend appropriate action.

The Adjudicator, whose services are free, acts as an impartial referee where people feel their affairs have been badly handled. The Adjudicator's recommendations are independent. The address is

The Adjudicator's Office
Haymarket House
28 Haymarket
London SW1Y 4SP

Telephone: 0171 930 2292
Fax: 0171 930 2298
e-mail: adjudicators@gtnet.gov.uk

Finally you can ask a Member of Parliament to refer your complaint to the independent Parliamentary Commissioner for Administration, commonly known as the 'Ombudsman'. Further information is available from

The Parliamentary Commissioner for Administration
Church House
Great Smith Street
London SW1P 3BW

Tel: 0171 276 2130/3000

DATA PROTECTION

The Inland Revenue is a Data Controller under the Data Protection Act. We hold information for the purposes specified in our notification made to the Data Protection Commissioner and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits, to check accuracy of information, prevent or detect crime or protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you as well as other Government Departments and agencies and overseas tax authorities. We will not give information about you to anyone outside the Inland Revenue unless the law permits us to do so.

HELP US TO HELP YOU

We welcome your comments on this leaflet. Please tell us what you think so that we can find out how to provide you with a better service.

Write to

External Communications Unit
Inland Revenue
G12, New Wing,
Somerset House,
Strand
London WC2R 1LB

Remember

To tell us about your self-employment you must fill in

- **form CWF1 (coloured green) and send it to the Inland Revenue (NI Contributions) Office**

and

- **form CA5601 (coloured peach) to pay your Class 2 National Insurance contributions by Direct Debit.**

These notes are for guidance only and reflect the position at the time of writing.
They do not affect your right of appeal about your tax, National Insurance or VAT.

Issued by the Inland Revenue and HM Customs and Excise
March 1999
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Printed by Pindar Plc 3/99

Inland Revenue

National Insurance contributions

Application to pay Class 2 contributions by Direct Debit

FOR OFFICIAL USE ONLY

1st request from bank

CA2347 issued

QB started

DN

Start date - a Sunday

LO Serial number

1 Date self-employment started

2 **Would you like us to collect contributions due from the start of your self-employment with the first Direct Debit payment?** Yes No

3 National Insurance number

Letters Numbers Letter

4 Surname and first two initials

5 Title (ie, Mr, Mrs, Miss, Ms)

6 Date of birth **1 9**

7 Address

Postcode #

8 Daytime telephone number (including the STD code)

STD code Telephone number

9 Your Bank/Building Society sort code

- -

10 Your Bank or Building Society account number

11 Name(s) of account holder(s)

12 Class of contribution

2

13 What sort of self-employed work do you do/ will you do?

14 The name of your business

15 The address of your business. Fill this in even if your home and business address are the same

Postcode #

CA5601

Inland Revenue

National Insurance Contributions Office
Self Employment Directorate, Application Processing Centre,
Longbenton, Newcastle upon Tyne, NE98 1ZZ

Name(s) of account holder(s)

Bank/Building Society account number

Branch Sort Code

Name and address of Bank/Building Society branch

To: The Manager Bank/Building Society

Address

Postcode

Instruction to your Bank or Building Society to pay by Direct Debits.

DIRECT Debit

Originator's Identification Number

9 9 1 1 3 3

Reference Number

Instruction to your Bank or Building Society.

Please pay Inland Revenue National Insurance Contributions Office Direct Debits from the account detailed in this instruction subject to the safeguards assured by The Direct Debit Guarantee. I understand that this Instruction may remain with the Inland Revenue National Insurance Contributions Office and, if so, details will be passed electronically to my Bank/Building Society.

Signature(s)

Date

Some Banks or Building Societies may not accept Direct Debit Instructions for some types of account

Inland Revenue

HM Customs & Excise

For official use only

When completed, return form to

Inland Revenue NI Contributions Office
Self Employment Directorate
Longbenton
Newcastle upon Tyne
NE98 1ZZ.

The Inland Revenue National Insurance Contributions Office will send a copy of the completed form to your Tax Office and Customs and Excise.

Use this form to tell the Inland Revenue and Customs and Excise that you have started self-employment.

It is not a Value Added Tax (VAT) registration form. If you think you are required, or need, to be registered for VAT please put a 'X' in this box. ☐

Notification of Self Employment

Yourself

Your title *(for example, Mr/ Mrs/ Miss/ Ms)* and current surname

Previous surname *(for example, your surname before you married)*

Your first name(s)

Your date of birth *(in figures)* *Day* *Month* *Year*

Your home address

Postcode

Your home phone number (*include STD code)*

Your National Insurance number *Letters* *Numbers* *Numbers* *Numbers* *Letter*

Women only - Your marital status – *put 'X' in relevant box*

Single ☐ Married ☐ Widowed ☐ Separated ☐ Divorced ☐

If Married, Widowed or Divorced show date of event(s)

If more than one event, please prefix each event with either M, W or D.

Tax Office to which you sent your last Tax Return

Reference in that Tax Office

Your business

1 When did you start in business or when will you start? *Day* *Month* *Year*

2 What sort of self employed work do you do / will you do?

If you are working in the fishing industry as a share fisherman put 'X' in this box ☐

If you intend working as a subcontractor in the Construction Industry contact your Tax Office for a registration card application form.

Your business continued

3 What is your business name and address?

Postcode

Your business phone number *(include STD code)*

Your business fax number *(include STD code)*

4 What is your position in the business? *For example, owner, partner. If you are a subcontractor, put 'subcontractor'.*

5 Do you have any business partners?
Put 'X' in the relevant box No ☐ Yes ☐

If you have answered 'No', please go to question 6.
If you have answered 'Yes', please state

Partner's full name

Partner's address

Postcode

His/her National Insurance number *(if known)* *Letters* *Numbers* *Numbers* *Numbers* *Letter*

If you have more than one partner, please give details on a separate sheet.

6 If you are unable to pay your Class 2 National Insurance contributions by Direct Debit, and would like further information about other payment arrangements, please put 'X' in the box ☐

Do you want more information about exception from liability because of low earnings or deferment?
If so, put 'X' in the relevant box

- exception from liability because of low earnings ☐
- deferment (if you are both employed and self employed) ☐

Please turn over

Your business continued

7 Do you employ anybody, including members of your family, to work in your business?

Put 'X' in the relevant box No ☐ Yes ☐

If you have answered 'No', please go to question 8.
If you have answered 'Yes', read the statements below and put 'X' in the boxes that apply to your employees.

I have employees who earn

- £66 a week or £286 a month or more but less than £83 a week or £361 a month ☐
- £83 a week or £361 a month or more ☐
- more than £1 a week and have other employment ☐

8 If you took over an existing business, what was the name and address of the person you acquired it from?

Postcode

9 If you are, or will be, doing all your work for one person or firm, state their name and address

Postcode

Your previous employment

10 What were you doing before you started this self employment? If you were unemployed, please state what you were doing **before** you became unemployed. ***Put 'X' in the relevant box below.***

I was employed – ***give your employer's name and address below, the date the employment ended, and go to 11.*** ☐

I was self employed – ***give your business name and address below, the date the business ceased trading and go to 12.*** ☐

I was in full time education – ***give the date the education finished and go to 13.*** ☐

Name and address of employer/business

Postcode

Date employment/ business/education ended ***Day*** ***Month*** ***Year***

11 If you were employed and you have a leaving certificate form P45 from your last employer

- keep Part 1A
- attach Parts 2 and 3 to this form and put 'X' in this box to show that you have done so. ☐

Tax Returns

To make sure that we send you a Tax Return suited to your needs under Self Assessment, please answer these questions.

12 Do you have, in addition to the self employment described on this form, any other paid employment or an existing business which you will continue to run?

Put 'X' in the relevant box No ☐ Yes ☐

If you have answered 'No', please go to question 13.
If you have answered 'Yes', please put 'X' in the box(es) that apply to you.

- I am in paid employment as well as being self employed ☐
- I have an existing business as well as this self employment ☐

Name and address of employer/existing business

Postcode

13 Do you have an agent to advise you on your tax affairs?

Put 'X' in the relevant box No ☐ Yes ☐

If you have answered 'No', please go to the Declaration below.
If you have answered 'Yes', please enter details below.

Agent's name and address

Postcode

Agent's phone number ***(include STD code)***

Have you completed form 64-8 (Agent authorisation)?

Yes ☐ No ☐

Declaration

This is my notification of self employment and I have given details of my business on this form.

I understand and agree that the information on this form will be made available to the Inland Revenue and Customs and Excise.

Signed

Date ***(in figures)*** ***Day*** ***Month*** ***Year***

Now you have completed the form, please return it to the Inland Revenue National Insurance Contributions Office at the address shown on the front of this form.